

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Western UP District Health Department	County Houghton
Fiscal Year End 09/30/07	Opinion Date 02/28/08	Date Audit Report Submitted to State 3-22-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman and Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington Street, Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 		Printed Name Michael Alan Grentz	License Number 1101027988

WESTERN UPPER PENINSULA
DISTRICT HEALTH DEPARTMENT

COMPONENT UNIT FINANCIAL
STATEMENTS
For the Year Ended September 30, 2007

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis	5
Statement of Net Assets	13
Statement of Activities.... ..	14
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to Financial Statements.....	19

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	30
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Other Supplementary Information

Schedule of Expenditures by Reporting Unit	32
Schedule of Department Expenditures	33

Compliance Supplements

Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	37
Report to Management.....	39



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INDEPENDENT AUDITORS' REPORT

Board of Health
Western Upper Peninsula District Health Department
540 Depot Street
Hancock, Michigan 49930

We have audited the accompanying financial statements of the governmental activities and major fund of the Western Upper Peninsula District Health Department, a component unit of the County of Houghton, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Western Upper Peninsula District Health Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Western Upper Peninsula District Health Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Western Upper Peninsula District Health Department as of September 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008 on our consideration of the Western Upper Peninsula District Health Department's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Health
Western Upper Peninsula District Health Department

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Upper Peninsula District Health Department's basic financial statements. The schedules listed as additional information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 28, 2008

Western Upper Peninsula District Health Department MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED)

Our discussion and analysis of the Western Upper Peninsula District Health Department's financial performance provides an overview of the Western Upper Peninsula District Health Department's financial activities for the year ended September 30, 2007. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the Western Upper Peninsula District Health Department as a whole increased by \$171,875 as a result of this year's operations.
- The general fund reported an increase in fund balance of \$197,047. This is \$82,854 higher than the forecasted increase of \$114,193.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the Western Upper Peninsula District Health Department as a whole and present a longer-term view of the Western Upper Peninsula District Health Department's finances. Expenditure schedules for each Western Upper Peninsula District Health Department Program start on page 30. These statements report the Western Upper Peninsula Health Department's operations in more detail than the government-wide statements, showing expenditures for each program by main expense category.

Reporting the Health Department as a Whole

Our analysis of the Western Upper Peninsula District Health Department as a whole begins on page 6. One of the most important questions asked about the Western Upper Peninsula District Health Department's finances is "Is the Western Upper Peninsula District Health Department as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Western Upper Peninsula District Health Department as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Western Upper Peninsula District Health Department's *net assets* and changes in them. You can think of the Western Upper Peninsula District Health Department's net assets - the difference between assets and liabilities - as one way to measure the Western Upper Peninsula District Health Department's financial health, or *financial position*. Over time, *increases or decreases* in the Western Upper Peninsula District Health Department's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Western Upper Peninsula District Health Department's client base and the condition of the Western Upper Peninsula District Health Department's capital assets, to assess the *overall financial health* of the Western Upper Peninsula District Health Department.

All of the Western Upper Peninsula District Health Department's activities are reported as governmental activities, detailed in the statement of net assets and the statement of activities. All of the Western Upper Peninsula District Health Department's basic services including general services and administration are reported here, as are discretionary programs like Superior Home Health and Hospice. Western Upper Peninsula Health Department activities are primarily funded by fees for services and state and local sources of funds.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

Reporting on the Western Upper Peninsula District Health Department's General Fund

All Western Upper Peninsula District Health Department programs and services are reported in the General Fund. Our analysis of the Western Upper Peninsula District Health Department's general fund begins on page 30. These financial statements provide detailed information on Western Upper Peninsula District Health Department's expenditures by reporting unit.

- *Governmental Funds* - All of the Western Upper Peninsula District Health Department's services are reported in a single governmental fund, which details how money flows into and out of the fund, and the balances left at year-end that is available for spending. The report uses an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Western Upper Peninsula District Health Department's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Western Upper Peninsula District Health Department's programs.

The Health Department as a Whole

Table I provides a summary of the Health Department's net assets as of September 30, 2007 and 2006.

Table 1 Net Assets		
	Governmental Activities - 2007	Governmental Activities - 2006
Current and other assets	\$1,844,263	\$1,580,944
Capital assets, net	748,532	799,422
Total Assets	<u>\$2,592,795</u>	<u>\$2,380,366</u>
Current liabilities	\$589,281	\$514,177
Non-current liabilities	396,673	431,224
Total Liabilities	<u>\$985,954</u>	<u>\$945,401</u>
Net Assets:		
Invested in capital assets, net of related debt	\$582,750	\$615,269
Unrestricted	1,024,091	819,696
Total Net Assets	<u>\$1,606,841</u>	<u>\$1,434,965</u>

Net assets of the Western Upper Peninsula District Health Department's governmental activities stood at \$1,606,841. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,024,091.

The results of this year's operations for the Western Upper Peninsula District Health Department as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and revenue and expense in fiscal year 2007 compared to revenue and expense in fiscal 2006.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

Table 2
Change in Net Assets

	Governmental Activities - 2007	Governmental Activities - 2006
Revenues		
Charges for services	\$4,727,320	\$4,299,029
Projects and Grants	1,746,847	1,292,821
State/Local Public Health Operations	420,040	393,411
Cigarette Tax	30,121	31,880
Total Revenues	<u>6,924,328</u>	<u>6,017,141</u>
Program Expenses		
Salaries and Wages	3,720,911	3,553,141
Fringe Benefits	1,258,565	1,321,874
Supplies	994,917	500,813
Contracted Services	317,861	289,865
Travel Related	313,504	292,972
Communications and Utilities	87,800	90,925
Repairs and Maintenance	74,901	61,472
Space Rentals	50,494	50,194
Equipment Lease	5,884	6,562
Postage and Printing	37,713	38,583
Insurance and Bonds	59,149	58,460
Membership and Subscriptions	16,533	18,469
Advertising	43,011	41,988
Capital Outlay	55,089	21,645
Miscellaneous	36,956	42,598
Interest Expense	9,763	16,093
Depreciation	68,945	68,782
Total Expenses	<u>7,151,996</u>	<u>6,474,436</u>
Excess (deficiency) before transfers	(227,668)	(457,295)
County appropriations	399,543	399,543
Increase (decrease) in net assets	171,875	(57,752)
Net assets, beginning	1,434,966	1,492,718
Net Assets, Ending	<u>\$1,606,841</u>	<u>\$1,434,966</u>

The Western Upper Peninsula District Health Department's total revenues were \$7,323,871, including local county funding shown as other financing sources. The total cost of all programs and services was \$7,151,996, leaving an increase in net assets of \$171,875. Our analysis below considers in more detail the operation of the Western Upper Peninsula District Health Department's programs (in governmental activities) during 2007.

Governmental Activities

To understand the operation of the Western Upper Peninsula District Health Department, its programs and services can be seen as falling into one of two broad categories: those basic to local public health departments in Michigan and special programs operated by this health department. The Western Upper Peninsula District Health Department's basic public health services are funded by state grants and local funding. Local funding consists of county appropriations, user fees and home health net revenue. The Western Upper Peninsula District Health Department's special programs include dental services, the RSVP project, senior screening, substance abuse prevention and the Superior Home Health and Hospice Division.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

These programs are largely funded by state and federal grants, and fees for service.

The Health Department experienced an increase in net assets for the year of \$171,875.

Key reasons for the change in net assets were as follows:

Net increase in governmental fund balance	\$197,047
Depreciation charged to expense	(68,945)
Capital outlay reclassified to capital assets	18,053
Change in compensated absences	7,348
Principal payment on debt reclassified from expense	18,372

THE HEALTH DEPARTMENT'S GOVERNMENTAL FUNDS

As the Western Upper Peninsula District Health Department completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a fund balance of \$1,381,662, an increase of \$197,047 from the beginning of the year.

At year's end, the total fund of \$1,381,662 was composed of designated funds totaling \$502,706 and unreserved funds of \$878,956. The unreserved funds equates to 45 days of operating capital, or 12 percent of budget. For purposes of comparison, the optimal funds position for a governmental non-profit is 75 days, or 20 percent.

The health department's fund balance is the product of the accumulated yearly operating surpluses from the home health division. The 2007 increase in funds balance flowed from the profitable year by Superior Home Health and Hospice: it earned \$166,808 on revenues of \$3.8 million, or a 4.5% margin.

Superior Home Health and Hospice posted revenues of \$3,811,782, a \$450,000 increase over the prior year. This comes from a \$350,000 improvement in non-Medicare revenue (Medicaid, BCBS, and other insurances) and near \$60,000 in higher therapy staffing billings. Medicare revenue, however, was flat, year to year.

The increased revenue for the year is a result of higher patient volumes, but the increased profitability is the result of a more efficient operation. In 2007, home health revenue exceeded our budget target by \$400,000, while Superior Home Health expenses exceeded the budget by little more than \$127,000.

The home health caseload for the year was 582, a 17% increase over 2006. Referrals were up by 10% overall, with 25% increases in Houghton and Ontonagon counties, and no change in Baraga County and a small decrease in Gogebic County.

On the other side of the ledger, expenses showed the benefit of close oversight. Salary and fringes ended the year on budget, despite higher patient volumes. The increase in business created pressure on non-controllable costs, however. Supplies, capital outlay, travel cost, advertising and contract expense all exceeded this year's original budget; yet total cost increases were small in relation to improved revenues.

The public health programs of the agency, by contrast with home health, are more predictable in both income and operation. Still, there were opportunities to capture added funding during 2007. Increases in beach monitoring, emergency preparedness, WIC and office remodeling funds benefited the agency, the result of supplemental grants won during the year.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

Income in environmental health and international travel vaccine programs also jumped during the year as business volume increased. The fees and added grants pushed up revenue by \$100,000.

Operations in the non-homecare divisions required upward expense adjustments during the year, in vaccine supplies, salary cost and recruitment advertising. Salary cost was up by \$39,000, related to the return of the hearing and vision program to full-time status and to costs associated with the retirement of four long-term staff members; no new positions were added to the position budget. We note that the administrative staffing remained low for an organization of the health department's size: administrative overhead ratio is 13.4%.

The health department also finalized a three year agreement with its AFSCME local in early 2007, capping a difficult negotiation period in which health insurance cost was a key issue. The 2007-2009 agreement moved the unit from an expensive, low deductible health plan to a lesser cost menu of plans, as provided to all other health department employees. The resulting savings in benefit cost added to the positive results for the year.

In 2007 the health department sought new revenue opportunities and enjoyed modest increases in demand for many of its services, bringing welcome revenue enhancements in grants, fees and third party billings. This, combined with an organization wide emphasis on cost containment produced a small income surplus in the public health programs and a large net income in home health. The operation of Superior Home Health and Hospice also contributed \$513,000 to fund the agency's overhead costs.

In 2007, Superior Home Health and Hospice continued to live its mission of providing home care to everyone who called on it, any where in the five counties, while helping to fund basic public health services in our community.

General Fund Budgetary Highlights

Over the course of the year the Western Upper Peninsula District Health Department revised their budget; actual charges to expenditures were \$649,197 more than the original budget. Conversely, revenues were \$947,105 more than the original budget projection.

To explain the revenue deviation, \$414,500 relates to increased home health billings, \$40,950 was attributable to higher fee activity in environmental health, international travel and other public health programs, and some \$70,000 comes from supplemental grant funding not originally budgeted. Of note, \$60,000 of the home health revenue improvement came from growth in therapy staffing services provided to local businesses.

Another \$421,569 in unbudgeted revenue represented the value of free vaccines received from the federal vaccine program. The health department originally projected \$276,000 in vaccine shipments, but capitalized on the opportunity to apply for higher allotments, ending the year with nearly \$700,000 in vaccine delivered. This figure, the value of vaccines received by the health department and provided to the community, shows in the statements as a budget variance to grant funding and an off-setting supply expense.

The deviation in expenditures amounted to \$227,000 (not counting the adjustment to the supply line due to the value of vaccine received, as explained immediately above). Contractual services showed the largest variance as hospice clients were served in nursing homes for the first time in 2007. The payment of room and board to nursing homes is a flow-through which is reimbursed to the health department by Medicaid. The volume of hospice clients also had an effect on supplies, causing the variance on that budget line

(apart

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

from the value of vaccines).

In other cost items, travel exceeded budget by \$28,000 because of a higher volume of home visits and the jump in gasoline cost which occurred in the summer. Facility issues pushed repair costs \$12,000 over budget, accounted for by a new heating and cooling plant in Ontonagon and roof repairs in Hancock. \$25,000 in unbudgeted capital cost was the result of extensive remodeling to the L'Anse office, paid for by a grant won in 2006. While the health department budgets for 15% replacement of nurses' laptops in a year, the release of new software last year required updating over half the fleet, another capital overrun. In a final note, miscellaneous costs were up by some \$22,000 due to expenses passed through from client purchases of food orders in RSVP's SHARE Program.

These negative expense deviations were balanced by a positive budget variance in personnel expenses. As noted, the negotiation of a cost effective health plan caused benefits costs to fall during the year by \$125,000. This savings offset a \$39,000 salary overrun, for a net personnel expense reduction of \$86,000.

Overall, an expanded level of fee-based patient activity and additional grant awards brought in unbudgeted real revenue of \$526,000, while the expense overrun related to the year's changing operations was below \$230,000 (not counting the off-setting revenue/expense variance related to vaccine shipments). The net of the changes produced a positive bottom line, and the subsequent addition to funds balance at year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the Western Upper Peninsula District Health Department had \$748,532 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3 Capital Assets at Year-End (Net of Depreciation)		
	Governmental Activities - 2007	Governmental Activities - 2006
Land	\$90,000	\$90,000
Land improvements	673	3,057
Buildings	634,345	677,013
Equipment and furnishings	23,514	29,352
Totals	<u>\$748,532</u>	<u>\$799,422</u>

The Western Upper Peninsula District Health Department purchased new carpeting and other improvements for the L'Anse office for \$18,053 and recorded depreciation expense of \$68,945.

Debt

At the end of fiscal year 2007, the Western Upper Peninsula District Health Department had \$165,782 in installment purchase agreements as depicted in Table 4 below.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

Table 4
Outstanding Debt at Year-End

	Governmental Activities - 2007	Governmental Activities - 2006
Contracts and notes payable	\$165,782	\$184,153
Totals	<u>\$165,782</u>	<u>\$184,153</u>

The Western Upper Peninsula District Health Department did not issue any new debt in the current fiscal year and recorded principal payments of \$18,372. Further details on long-term debt can be found in Note F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The health department's management and board analyze many factors, including market projections, industry reimbursement trends, governmental funding prospects and anticipated cost increases when setting each year's budget. The challenge for 2008 is the need to support expanding personnel costs with a minimal revenue change.

The adopted budget for 2008 plans a 3% decrease in total expenditures, compared to 2007, actual at year-end. Budgeted expenditures project less spending for contractual services because of the closure of the dental program, and less capital expense as one-time projects and remodeling ended with the 2007 year. Because the health department does not expect the option to write a supplemental vaccine grant to repeat in 2008, supplies expense will drop by \$400,000, relative to 2007.

Some costs, however, increase unavoidably each year. Salaries will rise by \$207,250 in 2008; salary scale increases will be modest, 2% for some groups and 3% for others. Benefit costs will rise 9%, largely due to a health premium increase. As a proportion of payroll, benefits will move from 34% in 2007 to 35.5%. This effect takes hold in 2008, even though all health department staff pay into insurance costs, and the health plan has cost-saving deductibles in place.

Similar to expenses, total revenue in 2008 is also expected to fall below 2007. One-time grants will not recur and no dental funding will flow into 2008. The health department's largest source of discretionary revenue (and its only source of growing revenue) will also remain flat: the Centers for Medicare Services implemented reimbursement reductions which will affect all home health providers in 2008.

Based on these assumptions, the 2008 budget projects a lower profit margin for Superior Home Health and Hospice. Its income will float across the ledger to support public health programs. The agency as a whole will operate a zero balance budget, producing no year-end addition to surplus.

Of note, local funding to the agency from the counties which comprise the district (Baraga, Houghton, Keweenaw, Ontonagon, and Gogebic Counties) will increase, from \$399,500 to \$425,000, supporting 6% of the agency's costs. The increase in funding from local government at a time when county resources are stretched is evidence of the progressive outlook of the district's counties about the value of public health services.

The reality of rising costs combined with declining state and federal funding seems to be a long term pattern. The financial success of Western U.P. District Health Department will continue to rest on the effective operation of Superior Home Health and Hospice, and the strong support of the five county partners.

Western Upper Peninsula District Health Department
MANAGEMENT'S DISCUSSION AND ANALYSIS (UN-AUDITED) (Continued)

CONTACTING THE HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Western Upper Peninsula District Health Department's finances and to show the Western Upper Peninsula District Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Western Upper Peninsula District Health Department, 540 Depot Street, Hancock, MI 49930.

Western Upper Peninsula District Health Department

Statement of Net Assets

September 30, 2007

ASSETS

Current

Cash and equivalents	\$ 304,085
Accounts receivable	1,426,276
Prepaid expenditures	114,102

Non-Current

Capital assets (net of accumulated depreciation)	748,532
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TOTAL ASSETS	<u>2,592,995</u>
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LIABILITIES:

Current

Accounts payable	\$ 177,522
Accrued payroll	240,354
Compensated absences	152,196
Installment purchase agreements - payable	19,409

Non-Current

Compensated absences	250,300
Installment purchase agreements - payable	146,373

TOTAL LIABILITIES	<u>986,154</u>
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NET ASSETS:

Invested in capital assets net of related debt	582,750
Unrestricted	1,024,091

TOTAL NET ASSETS	<u>\$ 1,606,841</u>
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Western Upper Peninsula District Health Department

Statement of Activities

For the Year Ended September 30, 2007

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Public Health	\$ 6,283,799	\$ 491,580	\$ 1,965,729	\$ (3,826,490)
Environmental Health	706,177	367,131	186,158	(152,888)
Superior Home Health & Hospice	90,192	3,811,782	-	3,721,590
Administration	71,828	56,827	15,000	(1)
Total Governmental Activities	<u>\$ 7,151,996</u>	<u>\$ 4,727,320</u>	<u>\$ 2,166,887</u>	<u>(257,789)</u>
			General revenues	
			County appropriations	
			Other counties	222,545
			Primary county	176,998
			Cigarette tax	30,121
			Total General Revenues	<u>429,664</u>
			Change in Net Assets	171,875
			Net Assets, Beginning of Year	<u>1,434,966</u>
			Net Assets, End of Year	<u>\$ 1,606,841</u>

See accompanying notes to the financial statements.

Western Upper Peninsula District Health Department

Balance Sheet

September 30, 2007

ASSETS

Cash and equivalents	\$ (222,073)
Cash and equivalents - designated	526,158
Accounts receivable	
Home health	1,483,579
Special projects	92,187
Other	50,849
Prepaid expenditures	114,102
TOTAL ASSETS	<u>\$ 2,044,802</u>

LIABILITIES AND FUND EQUITIES

Liabilities

Accounts payable	\$ 177,522
Accrued payroll	240,354
Deferred revenue	200,339
Compensated absences	44,925
Total Liabilities	<u>663,140</u>

Fund Equities

Fund Balance - Unrestricted	
Designated	502,706
Undesignated	878,956
Total Fund Equities	<u>1,381,662</u>

TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 2,044,802</u>
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See accompanying notes to the financial statements.

Western Upper Peninsula District Health Department

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

September 30, 2007

Total Fund Balances for Governmental Funds \$ 1,381,662

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Land	90,000	
Cost of capital assets	1,639,490	
Accumulated depreciation	<u>(980,958)</u>	
		748,532

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Compensated Absences - Current	(107,271)	
Compensated Absences - Long-Term	(250,300)	
Notes payable - Current	(19,409)	
Notes payable - Long-Term	<u>(146,373)</u>	
		(523,353)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,606,841</u>
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Western Upper Peninsula District Health Department
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2007

	General Operating Fund
REVENUES:	
Fees and collections	\$ 4,727,320
Projects and grants	1,746,847
State local public health operations	420,040
TOTAL REVENUES	<u>6,894,207</u>
EXPENDITURES:	
Health & Welfare	7,126,824
TOTAL EXPENDITURES	<u>7,126,824</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(232,617)
OTHER FINANCING SOURCES (USES):	
County Appropriations	<u>429,664</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	197,047
FUND BALANCE, Beginning of Year	1,184,615
FUND BALANCE, End of Year	<u><u>\$ 1,381,662</u></u>

See accompanying notes to financial statements.

Western Upper Peninsula District Health Department

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	197,047
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(68,945)	
Capital outlays	<u>18,053</u>	(50,892)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

7,348

Repayment of bond/note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

18,372

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$	<u>171,875</u>
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See accompanying notes to the financial statements.

WESTERN UPPER PENINSULA DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Western Upper Peninsula District Health Department is a discretely presented component unit of the County of Houghton, Michigan. The Western Upper Peninsula District Health Department's purpose is to provide mandated public health services and other health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw counties.

The financial statements of the Western Upper Peninsula District Health Department have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Western Upper Peninsula District Health Department are described below.

(1) REPORTING ENTITY

The Western Upper Peninsula District Health Department's financial statements present the Western Upper Peninsula District Health Department, a component unit of the County of Houghton, Michigan. In evaluating the Western Upper Peninsula District Health Department as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Western Upper Peninsula District Health Department may or may not be financially accountable and, as such, be includable within the financial statements.

(2) BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Western Upper Peninsula District Health Department's basic financial statement is government-wide (reporting the Western Upper Peninsula District Health Department as a whole). All the Western Upper Peninsula District Health Department's operations are classified as governmental activities.

In the Government-Wide Statement of Net Assets, the governmental columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Western Upper Peninsula District Health Department's net assets are reported in three parts - invested in capital assets, net of

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

related debt; restricted net assets; and unrestricted net assets. The Western Upper Peninsula District Health Department first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of the Western Upper Peninsula District Health Department's functions. The functions are supported by general revenues, (intergovernmental transfers, grants, user fees) and fees for services. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenue.

The Government-Wide Statements focus is more on the sustainability of the Western Upper Peninsula District Health Department as an entity and the change in net assets resulting from the current year's activities.

BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The **General Fund** is the primary operating fund. It accounts for all financial resources of the Western Upper Peninsula District Health Department.

The emphasis in fund financial statements is on the major funds in the governmental activities. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

(3) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Full Accrual

Governmental type activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(4) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting - The Western Upper Peninsula District Health Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Health Officer submits to the Western Upper Peninsula District Health Department's Board of Health proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Opportunities exist for public comment during the budget process since all action by the Board of Health occurs in open public hearings.
- c. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of the Annual Operating Budget.
- d. The general statute governing Western Upper Peninsula District Health Department budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board of Health policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Western Upper Peninsula District Health Department's Board of Health, through policy action, specifically directs the Health Officer not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Western Upper Peninsula District Health Department adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Health, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and certificates of deposit. Investments are carried at fair value.

Prepaid Items - Payments made to vendors for insurance and services that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures.

Capital Assets - capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Western Upper Peninsula District Health Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20 years
Building, structures and improvements	40 years
Equipment	2-20 years
Vehicles	5 years

Long-Term Liabilities - In the government-wide financial statements fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Compensated Absences - The Western Upper Peninsula District Health Department accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

- (1) The Western Upper Peninsula District Health Department has deferred revenue of \$200,339. This amount represents \$200,339 from unearned Medicare revenue.

NOTE B - CASH DEPOSITS AND INVESTMENTS:

The cash and investments are classified into the following categories:

Cash - Held with Health Department - Bank Deposits	\$68,587
Cash - Held with County Treasurer - Bank Deposits	235,498
Total Cash	<u>\$304,085</u>

Michigan Compiled Laws, Section 129.91, authorizes the Health Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States, United States governmental or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivision which are treated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Health Department has adopted the County's investment policy, which is in accordance with the provisions of Public Act 20 of 1943.

Interest Rate Risk

The Health Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to Fair Value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Health Department has no investment policy that would further limit its investment choices.

NOTE B - CASH DEPOSITS AND INVESTMENTS (Continued):

Custodial Investment Credit Risk

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Health Department will not be able to recover the value of its investments or securities that are in the possession of an outside party. The Health Department invests with the County of Houghton and would receive its proportional share of holdings.

Custodial Deposit Credit Risk

Custodial deposit credit risk is the risk that in the event of a bank failure, the Health Department deposits may not be returned. State law does not require and the Health Department does not have a policy for deposit custodial credit risk. The carrying amounts of the Health Department's deposits with financial institutions were \$68,587 and the bank balance was \$63,261. The bank balance is categorized as follows:

Amount insured by FDIC	\$63,261
Amount uninsured and uncollateralized	-
	<u>\$63,261</u>

The \$235,498 other cash balance is pooled with the County of Houghton funds and would receive a proportionate share of insurance.

NOTE C - DESIGNATED CASH:

The Western Upper Peninsula District Health Department has designated cash in the amount of \$50,000 for use in major renovation projects or future land and/or building acquisitions; \$50,000 for use in major Management Information System upgrade projects; \$357,572 for accrued compensated absences and \$23,452 is designated in cash for their section 125 plan and \$45,134 relating to the unused portion of a hospice donation for a total of \$526,158.

NOTE D - ACCOUNTS RECEIVABLE - HOME HEALTH & HOSPICE:

The balance of \$1,483,579 for Home Health & Hospice accounts receivable includes an adjustment related to accounts receivable written off of \$30,730 and an allowance amount of \$89,192.

NOTE E - COMPENSATED ABSENCES:

The Western Upper Peninsula District Health Department accrues a liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the Health Department will compensate the employees conditioned upon death or retirement. Upon death or retirement, the employee or their estate shall be paid for sick leave accumulated at their current rate of pay under the terms established by the respective labor agreement or administrative policy.

NOTE E - COMPENSATED ABSENCES (Continued):

Employees earn annual leave or earned time off at varying rates based upon years of service. Upon retirement, death or termination of employment, employees or their estates are paid for outstanding annual leave or earned time off at their current rate of pay according to the terms established by the respective labor agreement or administrative policy.

The accrued compensated absences balance of \$44,925 as reported in the general operating fund and \$107,271 in the adjustment column represents the current portion for a total of \$152,196 and the balance of \$250,300 as reported under the long-term caption in the Statement of Net Assets represents the long-term portion of the liability.

Beginning Balance	Change	Ending Balance
<u>\$403,731</u>	<u>\$(1,235)</u>	<u>\$402,496</u>

NOTE F - LOAN PAYABLES:

Changes in long-term debt for the year ended September 30, 2007 are summarized as follows:

	Balance October 1, 2006	Additions	Deletions	Balance Sept. 30, 2007	Due Within One Year
Installment Purchase Agreement - L'Anse Facility	\$184,154	\$-	\$18,372	\$165,782	\$19,409
Compensated Absences	364,919	37,577	-	402,496	-
	<u>\$549,073</u>	<u>\$37,577</u>	<u>\$18,372</u>	<u>\$568,278</u>	<u>\$19,409</u>

On September 29, 2000, the Health Department entered into a 15 year land contract with BHK Child Development Board and the Copper Country Intermediate School District for the shared use of a building in L'Anse. The agreement, effective January 1, 2000, requires monthly payments of \$2,337, which includes interest at a rate of 5.5%.

	Principle	Interest	Total
2008	\$19,409	\$8,633	\$28,042
2009	20,504	7,538	28,042
2010	21,660	6,382	28,042
2011	22,882	5,160	28,042
2012	24,173	3,869	28,042
2013-2015	57,154	3,604	60,758
TOTAL	<u>\$165,782</u>	<u>\$35,186</u>	<u>\$200,968</u>

NOTE G - RESERVED FUND BALANCE:

The Capital Improvements balance of \$50,000 is for future renovation of existing buildings or purchase of land and/or buildings.

The Management Information System Improvements balance of \$50,000 is for future renovation of the Management Information System.

NOTE G - RESERVED FUND BALANCE (Continued):

The Employee benefits balance of \$357,572 is for future compensated absence payoffs.

The Hospice donation balance of \$45,134 is for future Hospice Program development.

NOTE H - NET HOME HEALTH & HOSPICE SERVICE REVENUE:

Net home health & hospice service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with various third-party commercial insurance carriers including Blue Cross/Blue Shield, Medicaid and Medicare. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The agency reports such activity through the submission of its annual cost reports which are subject to audit by the Medicare fiscal intermediary.

NOTE I - DEFINED BENEFIT PENSION PLAN:

Plan Description - The Western Upper Peninsula District Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Western Upper Peninsula District Health Department. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, MI 48076-3723.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Western Upper Peninsula District Health Department's competitive bargaining units, and requires a contribution from the employees of 0% of gross wages.

Annual Pension Cost - For the year ended September 30, 2007, the Health Department's annual pension cost of \$372,168 for the plan was less than the Western Upper Peninsula District Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three Year Trend Information from Actuarial Valuation
Fiscal Year Ended December 31

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$6,365,075	\$6,759,862	\$7,289,133
Actuarial Accrued Liability (Entry Age)	6,970,652	8,058,572	8,642,301
Unfunded AAL	605,577	1,298,710	1,353,168
Funded Ratio	91%	84%	84%
Covered Payroll	3,054,386	3,248,327	3,169,242
UAAL as a Percentage of Covered Payroll	20%	40%	43%

NOTE I - DEFINED BENEFIT PENSION PLAN (Continued):

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$261,863	100%	-
2005	308,514	100%	-
2006	331,199	100%	-

NOTE J - CONTINGENT LIABILITIES:

Risk Management - The Western Upper Peninsula District Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Western Upper Peninsula District Health Department was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Western Upper Peninsula District Health Department joined together with other governments as part of a public entity risk pool currently operating as a common risk management and insurance program. The Western Upper Peninsula District Health Department pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The Western Upper Peninsula District Health Department continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Western Upper Peninsula District Health Department is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE K - DEFERRED COMPENSATION PLAN:

The Western Upper Peninsula District Health Department offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees who work at least 20 hours per week. The Plan is not available to on-call employees. The plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Western Upper Peninsula District Health Department's general creditors. Therefore, the plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Western Upper Peninsula District Health Department has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries. The Western Upper Peninsula District Health Department's plan is administered by Nationwide Retirement Solutions, and as Plan administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions or their agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

NOTE L - CAPITAL ASSETS:

Capital asset activity of the Western Upper Peninsula District Health Department for the current year was as follows:

	Balance October 1, 2006	Additions	Disposals	Balance September 30, 2007
Land	\$90,000	\$-	\$-	\$90,000
Sub-Total Land	90,000	-	-	90,000
Land Improvements	17,595	-	-	17,595
Buildings	1,443,780	18,053	-	1,461,833
Equipment	160,062	-	-	160,062
Sub-Total Capital Assets	1,621,437	18,053	-	1,639,490
Less Accumulated Depreciation:				
Land Improvements	14,538	2,384	-	16,922
Buildings	766,767	60,721	-	827,488
Equipment	130,710	5,840	-	136,550
Sub-Total Accumulated Depreciation	912,015	68,945	-	980,960
Total	<u>\$799,422</u>	<u>\$(50,892)</u>	<u>\$-</u>	<u>\$748,532</u>

Depreciation Expense:

Health & Welfare:

Public Health

\$27,578

Environmental Health

6,895

Superior Home Health & Hospice

34,473

Total

\$68,946**NOTE M - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The federal expenditures of the Western Upper Peninsula District Health Department are included with the schedule of expenditures of federal awards of the County of Houghton, Michigan.

NOTE N - BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a County Health Department shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County Health Department's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following is the excess expenditures over appropriations at September 20, 2007:

	<u>Final Budget Amount</u>	<u>Final Actual Amount</u>	<u>Variance</u>
Total Expenditures	<u>\$6,713,256</u>	<u>\$7,126,824</u>	<u>\$413,568</u>

Required Supplementary Information

Western Upper Peninsula District Health Department
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Fees and collections				
Home health services	\$ 3,211,785	\$ 3,769,554	\$ 4,098,967	\$ 329,413
Contractual allowance	-	-	(287,184)	(287,184)
Other fees, services and refunds	1,126,920	927,112	915,537	(11,575)
Projects and grants	1,214,985	1,281,079	1,746,847	465,768
State local public health operations	393,412	420,040	420,040	-
TOTAL REVENUES	5,947,102	6,397,785	6,894,207	496,422
EXPENDITURES:				
Health & Welfare				
Salaries and wages	3,681,762	3,754,430	3,720,911	33,519
Fringe benefits	1,391,588	1,273,272	1,265,913	7,359
Supplies	507,070	552,044	994,917	(442,873)
Contractual Services	212,300	313,875	317,861	(3,986)
Travel Related	285,600	318,920	313,504	5,416
Communications and utilities	86,170	88,309	87,800	509
Repairs and maintenance	62,900	68,078	74,901	(6,823)
Space rentals	50,405	50,494	50,494	-
Equipment lease	6,000	5,713	5,884	(171)
Postage and printing	39,040	37,622	37,713	(91)
Insurance and bonds	58,200	59,467	59,149	318
Membership and subscriptions	18,150	17,604	16,533	1,071
Advertising	35,750	39,859	43,011	(3,152)
Capital outlay	28,042	69,662	73,142	(3,480)
Miscellaneous	14,650	35,927	36,956	(1,029)
Debt service	-	27,980	28,135	(155)
TOTAL EXPENDITURES	6,477,627	6,713,256	7,126,824	(413,568)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(530,525)	(315,471)	(232,617)	82,854
OTHER FINANCING SOURCES (USES):				
Local Units:				
Baraga county	50,742	50,742	49,144	(1,598)
Keweenaw county	21,575	21,575	21,176	(399)
Ontonagon county	51,941	51,941	51,141	(800)
Gogebic county	101,084	101,084	101,084	-
Operating Transfers from Primary Government:				
Houghton County - appropriations	174,201	174,201	176,998	2,797
Houghton County - cigarette tax	-	30,121	30,121	-
TOTAL OTHER FINANCING SOURCES AND (USES)	399,543	429,664	429,664	-
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(130,982)	114,193	197,047	82,854
FUND BALANCE - Beginning of Year	1,184,615	1,184,615	1,184,615	-
FUND BALANCE - End of Year	\$ 1,053,633	\$ 1,298,808	\$ 1,381,662	\$ 82,854

Other Supplementary Information

Western Upper Peninsula District Health Department

Schedule of Expenditures by Reporting Unit

For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Agency Support	\$ 65,665	\$ 71,828	\$ (6,163)
General Public Health Nursing	867,396	1,305,614	(438,218)
BCCCP	40,031	40,838	(807)
Bio-Terrorism Emergency Preparedness	159,198	157,745	1,453
CSHCS	37,209	37,007	202
Dental	90,668	87,389	3,279
Electronic Recycling	5,246	5,398	(152)
Environmental Health	704,053	703,660	393
Family Planning	226,463	228,994	(2,531)
Hearing & Vision	42,026	42,557	(531)
ISS	61,114	62,131	(1,017)
Local Tobacco Reduction	58,850	57,302	1,548
Medicaid Outreach	27,127	29,101	(1,974)
MSS	141,926	138,752	3,174
Pandemic Influenza	67,017	67,466	(449)
RSVP Project	109,665	106,061	3,604
Senior Screening	18,749	20,423	(1,674)
Superior Home Health & Hospice	3,672,890	3,644,973	27,917
Substance Abuse	75,212	77,606	(2,394)
WIC	242,751	241,979	772
TOTALS	\$ 6,713,256	\$ 7,126,824	\$ (413,568)

Western Upper Peninsula District Health Department

Schedule of Departmental Expenditures

For the Year ended September 30, 2007

	Total	Agency Support	General Public Health Nursing	BCCCP	Bio-Terrorism Emergency Preparedness	CSHCS	Dental	Electronic Recycling
Salaries and wages	\$ 3,720,911	\$ 558,143	\$ 279,194	\$ 20,773	\$ 80,013	\$ 18,675	\$ 30,634	\$ -
Fringe benefits	1,265,913	208,523	96,438	7,770	30,891	9,018	12,399	-
Supplies	994,917	12,445	789,868	1,672	439	169	1,403	321
Contractual Services	317,861	25,100	15,993	229	-	-	32,847	4,749
Travel Related	313,504	12,692	7,422	310	1,708	133	306	-
Communications and utilities	87,800	14,816	8,463	907	13,019	775	276	-
Repairs and maintenance	74,901	24,218	9,550	983	653	802	323	-
Space rentals	50,494	2,306	4,805	547	2,307	547	-	-
Equipment lease	5,884	5,884	-	-	-	-	-	-
Postage and printing	37,713	10,219	2,217	831	45	287	149	101
Insurance and bonds	59,149	58,175	-	-	-	-	-	-
Membership and subscriptions	16,533	7,989	452	-	-	-	-	-
Advertising	43,011	2,215	924	30	-	-	-	227
Capital outlay	101,277	10,248	11,171	774	5,338	774	-	-
Miscellaneous	36,956	6,684	92	7	-	-	-	-
Overhead Allocation	-	(887,829)	79,025	6,005	23,332	5,827	9,052	-
TOTALS	<u>\$ 7,126,824</u>	<u>\$ 71,828</u>	<u>\$ 1,305,614</u>	<u>\$ 40,838</u>	<u>\$ 157,745</u>	<u>\$ 37,007</u>	<u>\$ 87,389</u>	<u>\$ 5,398</u>

Western Upper Peninsula District Health Department

Schedule of Departmental Expenditures

For the Year ended September 30, 2007

	Environmental Health	Family Planning	Hearing & Vision	ISS	Local Tobacco Reduction	Medicaid Outreach	MSS
Salaries and wages	\$ 378,540	\$ 82,242	\$ 22,366	\$ 35,870	\$ 33,506	\$ 16,348	\$ 76,398
Fringe benefits	127,837	24,167	6,754	12,816	7,730	6,365	25,638
Supplies	7,173	48,139	1,426	287	364	91	1,018
Contractual Services	3,558	32,309	-	-	2,174	-	540
Travel Related	38,659	2,684	2,323	2,862	1,671	2	4,250
Communications and utilities	7,453	3,404	336	-	399	-	2,655
Repairs and maintenance	5,761	4,458	547	-	448	-	2,693
Space rentals	8,610	4,559	1,646	-	-	-	3,622
Equipment lease	-	-	-	-	-	-	-
Postage and printing	7,695	995	1,012	54	39	-	97
Insurance and bonds	-	106	-	-	-	-	-
Membership and subscriptions	375	28	-	-	600	-	163
Advertising	-	525	-	-	1,135	-	-
Capital outlay	955	2,964	21	-	-	-	1,727
Miscellaneous	10,513	27	-	-	561	-	-
Overhead Allocation	106,531	22,387	6,126	10,242	8,675	6,295	19,951
TOTALS	<u>\$ 703,660</u>	<u>\$ 228,994</u>	<u>\$ 42,557</u>	<u>\$ 62,131</u>	<u>\$ 57,302</u>	<u>\$ 29,101</u>	<u>\$ 138,752</u>

Western Upper Peninsula District Health Department

Schedule of Departmental Expenditures

For the Year ended September 30, 2007

	Pandemic Influenza	RSVP Project	Senior Screening	Superior Home Health & Hospice	Substance Abuse	WIC
Salaries and wages	\$ 36,706	\$ 41,971	\$ 9,070	\$ 1,837,166	\$ 43,173	\$ 120,123
Fringe benefits	18,130	13,696	3,758	601,611	11,009	41,363
Supplies	55	10,700	4,286	100,285	941	13,835
Contractual Services	-	3,655	-	196,707	-	-
Travel Related	811	7,390	215	220,589	7,138	2,339
Communications and utilities	-	49	-	29,880	996	4,372
Repairs and maintenance	-	-	-	18,674	748	5,043
Space rentals	-	-	-	15,022	1,976	4,547
Equipment lease	-	-	-	-	-	-
Postage and printing	-	1,299	396	10,976	86	1,215
Insurance and bonds	-	868	-	-	-	-
Membership and subscriptions	-	40	-	6,844	-	42
Advertising	-	316	-	37,639	-	-
Capital outlay	-	24	-	52,199	-	15,082
Miscellaneous	228	14,343	-	4,316	140	45
Overhead Allocation	11,536	11,710	2,698	513,065	11,399	33,973
TOTALS	<u>\$ 67,466</u>	<u>\$ 106,061</u>	<u>\$ 20,423</u>	<u>\$ 3,644,973</u>	<u>\$ 77,606</u>	<u>\$ 241,979</u>

Compliance Supplements



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Health
Western Upper Peninsula District Health Department
540 Depot Street
Hancock, Michigan 49930

We have audited the financial statements of the governmental activities and major fund of the Western Upper Peninsula District Health Department, a component unit of the County of Houghton, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Western Upper Peninsula District Health Department's basic financial statements and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Western Upper Peninsula District Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Western Upper Peninsula District Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Western Upper Peninsula District Health Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Western Upper Peninsula District Health Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Western Upper Peninsula District Health Department's financial statements that is more inconsequential will not be prevented or detected by the Western Upper Peninsula District Health Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Western Upper Peninsula District Health Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Western Upper Peninsula District Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in separate letter to management date February 28, 2008 as item 07-01.

This report is intended solely for the information and use of board, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 28, 2008